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INDUSTRIAL CO-OPERATION OF BULGARIA WITH COUNTRIES
HAVING DIFFERENT ECONOMIC AND SOCIAL SYSTEMS

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Foreword

The present paper continues the series of studies dealing with the promotion of trade, through industrial co-operation, between countries having different economic and social systems, in pursuance of the mandate given to the UNCTAD secretariat by Conference resolution 53 (III). With its newly adopted legislation stimulating industrial co-operation, Bulgaria seems to offer a particularly propitious and topical example of recent developments in this particular field.

Introduction

1. International industrial co-operation between enterprises, firms or other economic organizations from countries with different economic and social systems is both economically and politically a new feature of international economic relations. The competent Bulgarian authorities have recently adopted a number of normative acts to encourage long-term and mutually advantageous industrial co-operation as an important factor for trade expansion. To this end, favourable conditions and prerequisites are created in the planning, financing, credit, customs and other fields and the fulfilment of contractual obligations assumed by a Bulgarian economic organization and approved by the Bulgarian side in accordance with existing legislation is being guaranteed. 1/

2. In recent years, several definitions of industrial co-operation have been elaborated in different fora, and by different authors. 2/ However, practically all of them stress the element of length and continuity of links between the partners, and enumerate a shorter or longer list of the forms of relations to be considered as industrial co-operation. In this paper the following forms are considered:

- deliveries of equipment and maintenance;
- sub-contracting;
- joint ventures and activities; and,
- operation in association (joint supplies).

1/ Decree No. 1196 for economic, industrial and technological co-operation with foreign juridical and physical persons, adopted by the State Council of Bulgaria on 12 June 1974 (State Gazette (Dharzhaven Vestnik) No. 46 of 14 June 1974).

2/ See, among others: "Analytical report on industrial co-operation between the ECE member States" (ECE/844, 14 March 1973); "Motivations, patterns, problems and prospects in industrial co-operation between enterprises of socialist and developing countries" (TD/B/490/Supp.1); (TRADE/GE.1/R.4 of 22 August 1973); Committee on Trade and Development (ECE), Group of Experts on International Agreements in Industry, TRADE/GE.1/R.6 of 15 July 1974. For definitions adopted in Romania see: "State Gazette" of Romania, No. 33 of 17 March 1971 and "Romania - Trade and Economic Co-operation", issued by Romania's Chamber of Commerce, Bucarest, 1972; in Czechoslovakia: Article 1.3 of Law No. 85 concerning the ways to conclude contracts for economic co-operation passed by the Federal Assembly of Czechoslovakia on 1 November 1972; in Poland: Directives approved by Decision No. 170 of the Council of Ministers of the Polish People's Republic. For views of different authors on this see: A. Adahl, "East-West co-operation", Brussels, 1969, page 5; Professor René Clémens, "Co-operation between enterprises - Experience and problems", Liège, pages 123, 126; H. Kortzfleisch, "Die zwischenbetriebliche Kooperation", pages 170-171; A. Sölter, "Grundzüge industrieller Kooperation politik", page 234; and R.A. Novikov and Y.V. Shishkov "International co-operation of capitalist firms" in Misal, Moscow (1972), pages 70-71.

3. Bulgarian legislation contains an original economic and legal definition of the concept of industrial co-operation, which regulates it in a broader sense reflecting a number of original approaches:

"The economic, industrial and technological co-operation, subject to this Decree, is effected on the basis of agreements between Bulgarian economic organizations and foreign juridical and physical persons for lasting joint activity, to the mutual advantage and interest in the final results of this co-operation. Payments between the parties are made totally or in part in goods or services mutually supplied or in means obtained from the fulfilment of the agreement." 3/

The definition contains several major elements, some of which are typical for the Bulgarian normative acts alone, namely:

(a) Co-operation is carried out under an agreement between partners, one of whom has a foreign legal status; consequently, from the point of view of the Foreign Trade Act, it is a foreign trade transaction. This means that the provisions related with the state monopoly over foreign trade activity are applicable to these operations; 4/

(b) The contractual relations between partners have a stable character. Only stable contractual relations between partners can make it possible for them to plan and forecast the expansion of their activity, and make investments;

(c) Co-operation is a joint economic activity. The Decree 1196 defines the meaning of joint activity. The Foreign Trade Act opens opportunities for closer contacts between partners in research, production and trade, and better planning of the future joint enterprises;

(d) Joint activity is based on the mutual advantage and interest of the partners in the final results of the co-operation. The legal possibility exists for sharing the economic benefits as contracted between the parties, in accordance with their concrete contributions. 5/

(e) Payments between the parties are made, fully or partially, by mutual exchange of goods or services under the agreement, or by means acquired by the parties from the sale of the goods or products, or through the activities constituting the object of the agreement for co-operation.

3/ Article 2(1) of Decree No. 1196 op. cit.

4/ Foreign Trade Act (State Gazette, No. 94 of 5 December 1969), Article 2 defines foreign trade transactions as follows: "Foreign trade activities in the sense of this law include all kinds of transactions for the export or import of goods, the re-export and transport connected with them, for representations, foreign trade publicity and propaganda, transfer of copyrights and rights over inventions, trademarks and industrial models, transactions in the field of technical experience and other activities connected with the international economic relations when one of the parties is a foreign juridical or physical person."

5/ An exposé to this effect made by Andrey Lukanov, First Deputy Minister of Foreign Trade of P.R. of Bulgaria during "Bulgarian Days in Paris" (February 19-20, 1974) and published in L'Europe orientale No. 95, Paris, February 1974.

Under the new Bulgarian legislation, the technical-economic aspect of industrial co-operation comprises the whole cycle: the phase of research and investigations, the working out of the project, the phase of building the enterprise or reconstructing the existing one, the organization of production, control over the introduction of technology and the formulation of certain qualitative and quantitative indices. Later, the cycle also includes the phase of marketing and the use of different trade practices.

Determining factors

4. Among the general factors determining and influencing the emergence and further development of industrial co-operation between countries having different economic and social systems, several seem to be especially important:

- (a) The normalization of political relations particularly in Europe, facilitating solutions to unsolved problems left over from the Second World War;
- (b) The appearance, after the Second World War, of a number of new States in Asia and Africa seeking independent ways for development and thus introducing new forms in traditional trade and political relations with other States;
- (c) The endeavours of international organizations, and in the first place the United Nations and its specialized agencies, to promote favourable conditions for the development of international trade and co-operation;
- (d) The ever-widening network of multilateral and bilateral intergovernmental agreements creating the necessary framework and institutions for the development of trade and industrial co-operation;
- (e) The measures taken by a number of countries wishing to intensify the development of different branches of their national economy;
- (f) The discriminating policies of economic groupings, forcing outsiders to seek new methods for overcoming tariff and non-tariff barriers;
- (g) The activities of multi-national companies (associations) in some developed market-economy countries, aimed at the division of markets among themselves and the elimination of competition, inducing other enterprises to seek various other forms of integration and joint trade policy;
- (h) The scarcity of labour in some developed market-economy countries and particularly the complex problem of absorbing large numbers of unskilled foreign manpower;
- (i) The all-round technological progress supported by growing expenditure on research and design;
- (j) The rising costs of some economic activities, such as the extraction of raw materials, which frequently require new and expensive technologies;
- (k) The need to concentrate production in a reduced number of large-scale industrial units close to the raw materials, the sources of energy, and the available manpower, which often requires enormous capital investment beyond the capacities of an individual enterprise or State;

- (l) The difficulties in covering the growing needs of the individual countries by domestic production;
 - (m) The difficulties in obtaining a smooth flow of raw materials suppliers, inducing countries to co-operate in the establishment of material conditions necessary for this purpose, namely, the production and technical bases, capital, personnel, etc.;
 - (n) The development of transport and communications and the mass media; the unification of standards and methods for the technical elaboration of projects and documentation, etc.;
 - (o) The instability of world markets, sharp price fluctuations, currency crises, and the recent sudden changes in the markets for raw materials and energy, encourage many enterprises from countries with different economic systems to search for stability through industrial co-operation.
5. Some factors, peculiar to Bulgaria, should also be mentioned here in brief. Thus conditions favouring international industrial co-operation were created by:
- (a) The fast development of the country, its transformation from a backward agrarian into an industrialized country, as a result of the socialist reconstruction, and its growing participation in socialist economic integration;
 - (b) The emergence in its major economic branches of a small number of large economic units - State economic associations and agro-industrial complexes, equipped with modern and costly technology, able to solve the problems of modern production;
 - (c) The existence of numerous research and design units which form part of the production system and are closely related to its problems, thus presenting opportunities for equal partnership to the respective foreign economic organizations;
 - (d) The steady expansion of foreign trade (reaching about 1,000 leva per capita in 1974) ^{6/} and trade relations with a large number of countries witnessing that Bulgarian production easily meets the requirements of international markets.
 - (e) The favourable geographic situation offering transit and other transport facilities between countries rich in raw materials and energy but short of capital, skilled labour, and of experience in industrial production and trade on the one side, and, on the other side, developed industrialized countries of Western Europe having rich industrial traditions and the necessary means and material basis, etc.

^{6/} One US\$ is equal to lev 0.97 according to the Bulgarian National Bank rate of exchange towards 6 May 1975 (State Gazette, No. 35, 6 May 1975).

The legislative framework

6. The speedy development of Bulgaria's economy, and the expansion of the country's foreign trade relations, required a parallel perfecting and diversification of policies and methods of work in the field of foreign trade, especially with countries outside Eastern Europe. This approach was in harmony with the consistent efforts of the socialist countries to strengthen co-operation between States. 7/

7. As far back as 1961/1962, a number of Bulgarian economic organizations had already concluded contracts for industrial co-operation with foreign enterprises and firms. These were mainly simple forms of co-operation; the interests invested were not large, the terms were limited. Individual joint enterprises were set up in Morocco, the Sudan and Ethiopia, for the assembly of machines with parts supplied by Bulgaria, or enterprises for processing of farm products, fishing and fish processing, as well as processing of tropical timber, among other activities. Some of these activities are still successfully going on; others were terminated with the expiry of the agreement; still others were transferred to local State organizations or private firms because of changes that had taken place in the administrative regulations in those countries. After 1967, the development of industrial co-operation with foreign countries reached a level which, in both volume and form, gave reason to believe that a second, more developed stage had been attained. At that time a great variety of activities and services offered by both the Bulgarian and the foreign partners, were appearing in the practice of industrial co-operation, such as: supply of machines, transfer of technology and documentation, rights, trade marks, etc.; training of specialists, joint solution of market problems, etc. Most of the contracts concluded at that time are still in force today. In some cases new agreements have been concluded on the basis of the old ones, adding to them the experience accumulated by both partners. By 1975, the number of long-term industrial co-operation contracts between Bulgarian economic organizations and firms from countries outside the CMEA went beyond 100 and it was felt that the time had come to synthesise the experience gained and give a new impetus to industrial co-operation through specific legislative measures.

8. Dealing with issues pertaining to industrial co-operation in a systematic and coherent manner, the newly adopted legal prescription endeavoured first, to set out the aims which were expected to be achieved. 8/

(a) Industrial co-operation was expected, first, to result in building up new production capacities and modernizing the existing ones. The establishment of new production capacities both inside and outside the country were envisaged, as well as the modernization of some enterprises on the basis of Bulgarian or foreign technical experience and knowledge.

7/ "The CMEA member-States, acting in accordance with their policy of peaceful co-existence, and in the interest of social progress, and taking into account the fact that the international socialist division of labour takes into consideration the world division of labour, will continue to develop their economic, scientific and technological relations with foreign countries, regardless of their social or government system, on the principles of equality, mutual advantage and respect for each other's sovereignty." Chapter I, part 1, para. 3 of the Comprehensive Programme for the further promotion and improvement of socialist economic integration among the CMEA member-States (Partizdat, Sofia, 1971).

8/ Article 3 of Decree No. 1196, op. cit.

) Another aim was the introduction of new types of production based on the most sophisticated technology and the latest scientific and technical achievements. The requirements concerning technology were indicated in detail by Decree No. 9 of the Central Committee of the Bulgarian Communist Party (CC of the BCP) and the Council of Ministers on 1 August 1974 9/ on the accelerated application of scientific and technological achievements in industry. This also applies to activities organized by Bulgarian economic organizations in foreign countries, including developing countries.

(c) A further objective was the improvement of labour efficiency, the increase of the social productivity of labour, and the improvement of the quality of production. This essential element of Bulgarian legislation is perfectly applicable to co-operation with foreign countries, including the developing countries which lack sufficient qualified personnel for the needs of their technologies. The experience of Bulgarian organizations in improving the organization of production and in better training of personnel can be used in co-operation with these countries.

(d) Industrial co-operation is expected to contribute to the better satisfaction of the internal demand. The programme for better satisfaction of the needs of the developed socialist society and for raising the people's standard of living also deals with this objective in that it lays down a set of tasks to be achieved by the different branches of the economy, including the production of more consumer goods of better quality and provides for international co-operation to this end. 10/

(e) International industrial co-operation facilitating the increase of export capacities is one of the major attractive features for both Bulgaria and other interested States, including the developing countries.

(f) The rational use of the material and labour resources of the contracting parties was taken up by the law as being of primary importance. The law provides guidance to the co-operating partners as to how to seek the most efficient utilization of resources in their respective countries. In particular, conditions are thus established for facilitating the employment of local manpower.

9. Bulgarian laws 11/ define the major economic areas in which co-operation with foreign and domestic enterprises can be contracted. Although the Decree applies to Bulgaria, its stipulations and norms do not contradict legislation in countries having a different social system but regulates contracts with organizations from these countries. The economic areas are:

(a) Industry and its branches: engineering, metallurgy, mining, chemical industry including oil refining, petrochemical production and pharmaceuticals,

9/ Programme adopted by the tenth Congress of the BCP; (Decisions of the December Plenum of the CC of BCP 61973).

10/ Published in the State Gazette, No. 73 of 14 September 1973.

11/ Article 2 of the Regulations on the application of the Decree on economic, industrial and technical co-operation.

electronics, electrical engineering, construction of power capacities, power generation, raw materials and semi-manufactured goods, and affiliated activities in the utilization of natural resources.

(b) Construction, including the construction of industrial projects, power equipment, land reclamation, drainage installations, and welfare facilities; construction in the field of culture, sports and the health services. This text reflects the practice adopted by Bulgarian economic organizations in construction abroad, mostly in the developing countries. Further regulations can soon be expected, on the basis of the considerable experience already accumulated by Bulgarian enterprises.

(c) Agriculture, including the improvement of methods and effectivity of land cultivation, growing of crops and cattle-breeding, as well as in processing of farm products and products of animal origin.

(d) Transport, i.e. construction of roads, ports, railway stations and airports; production of transport and communication machines and equipment. The experience of Bulgarian economic organizations in international transport (the International Automobile Transport State Economic Association is the largest European organization in this field) can serve as a basis for co-operation in organizing transport in some countries in the Near East, the Middle East and North Africa, which are geographically conveniently located.

(e) Trade; mainly international, as a complementary activity connected with the organization and realization of marketing of the object of co-operation, according to the above-mentioned paragraphs. Here are included: the exchange of goods, commodities and services, and jointly organized trade either in the commodities that are the object of industrial co-operation, or in other material values, connected with the basic activity.

(f) Credit operations as an activity subsidiary to the ones mentioned above; mutual grant of credits; or joint grant of credits to, or their possession by, third parties.

(g) Other complementary activities or services connected with the object of co-operation, or within its scope.

10. The field of industrial co-operation has recently become a subject of growing importance for multilateral and bilateral regulations. Industrial co-operation between States with different social systems has been dealt with in the documents issued by the United Nations bodies such as the Economic Commission for Europe, UNCTAD, UNIDO, UNCITRAL, etc. They, however, lack formal legal power with respect to the individual countries economic organizations and firms, being only in the nature of recommendations. Nevertheless, they are of the utmost importance since they aim mainly at:

- securing the necessary information on matters related to international industrial co-operation between States with different social systems;

- offering recommendations and measures for unifying the forms of contracts on international industrial co-operation, and working out unified regulations facilitating the task of the economic organizations of the different countries in concluding agreements for industrial co-operation;
 - providing information about the régime established by legislation in different countries concerning contracting and this field;
 - comparing the experience of different countries, including the experience of the economic organizations of those countries;
 - disseminating information on concrete agreements, both bilateral and multilateral, concluded between States or between economic organizations and firms;
 - identifying economic fields and individual economic activities in which the economic organizations and firms of different countries would be interested in establishing industrial co-operation;
 - preparing studies on the role of industrial co-operation in the expansion of trade and all-round economic and political relations between States with different social systems.
11. A number of conferences, symposia, etc. organized upon the initiative of one or more States, or as a social or private undertaking, aim at creating conditions for the establishment of contacts, closer mutual knowledge between the business circles of the different States, and exchanges of experience. Bulgaria's competent authorities take a positive attitude to the work of the United Nations specialized bodies, as well as towards any State, social, or private initiative for establishing or extending long-term mutually advantageous industrial co-operation and they participate in undertakings of this kind. In 1974 the town of Varna (Bulgaria) was host to the seventh International East-West Conference on Trade and Industrial Co-operation organized by the European Management Centre and the Bulgarian Chamber of Commerce and Industry. About 300 representatives of large enterprises and firms from all continents participated in the Conference.
12. On the bilateral basis, Bulgaria had by the end of 1974 concluded about 70 intergovernmental agreements for economic, industrial, scientific and technical co-operation with developing countries and developed market economy countries, about 50 of them with the former. However, this is not the exact figure of its international bilateral agreements for industrial co-operation, since a number of other trade, payments, tourism or transport agreements contain a series of clauses regulating long-term co-operation with these countries.
13. The concrete economic activity which is the object of these agreements is carried out not by the Bulgarian State as a contracting party, but by the respective Bulgarian economic organizations, which are independent juridical persons, owning property and exercising rights over the property placed at their disposal by the

State, and, as legal persons, bearing rights and obligations towards their partners. 12/ The economic organizations, even when they are State organizations, are independent juridical persons. 13/

14. According to legal prescription, 14/ "The agreements for co-operation are concluded on the Bulgarian side by a State economic organization or by the respective foreign trade enterprises, after authorization from the competent authorities". Hence, the Bulgarian party to the contract consists of two Bulgarian economic organizations, namely, a producing enterprise and a foreign trade enterprise that effects the foreign trade operations of the deal. Relations between the two Bulgarian organizations, constituting a party to the agreement concluded with the foreign partner, are settled between them through appropriate contracts. 15/

This means that even if the obligations of the two Bulgarian organizations constituting a party under the agreement are not specifically and expressly determined by the agreement with the foreign partner, they should be settled between them under a separate internal agreement. The foreign partner receives all necessary contractual guarantees with the simultaneous signing of the agreement by the two Bulgarian economic organizations. In the case of failure of the Bulgarian side to carry out its obligations, the eventual dispute would be settled according to the object of activity of either Bulgarian economic organization (the productive or the foreign trade one). All foreign trade and payments transactions are carried out by the foreign trade organization, while all production activities, services or other economic activities are carried out by the producing Bulgarian organization, whether the object of the agreement is to be realized in Bulgaria or abroad. An

12/ Regulations for the State economic organizations approved by Decree 26 of the Council of Ministers of 20 November 1970 (published in the State Gazette No. 98 of 11 December 1970): (a) model statute of a foreign trade company, approved by the Council of Ministers (published in the State Gazette No. 11 of 7 February 1967); (b) regulations concerning the associations, approved by the Council of Ministers (published in the State Gazette No. 4 of 12 January 1973). On the juridical relations between the enterprises and ownership of means of production, see also the Constitution of the People's Republic of Bulgaria, which stipulates: "... plants and factories, the banks, the mineral resources, the natural resources of energy, forests, pastures, waters ..." etc. "are public property"; and "the co-operative and public organizations may own means of production and other property"; and "the State exercises its rights on property by setting up economic and other organizations and participating in State-co-operative organizations at the disposal of which it places property for management".

13/ Ibid. "The State economic organization enjoys rights and is bound by obligations stipulated by the law and corresponding to the purposes and object of its activity". "The State is not responsible for the obligations of the State economic organizations, just as the latter is not responsible for the obligations of the State, except in those cases provided for by normative acts".

14/ Article 4.1 of Decree No. 1196, op. cit.

15/ Article 7 of the Regulations, op. cit., stipulates: "The Bulgarian organizations constituting a party under the agreement for co-operation, secure the fulfilment of their obligations and are responsible for it. The rights and obligations of the economic and foreign trade organizations relating to the fulfilment of the obligations under the agreement for co-operation, are settled between them through contracts".

additional guarantee for the differentiation between the obligations of the Bulgarian economic organizations that are a party to the agreement for co-operation, is the statute of each of them. 16/

15. It is normal that the activities taking place in Bulgaria are subject to Bulgarian legislation, that is to the provisions of the Foreign Trade Act, the Law on Obligations and Agreements and a series of other normative acts related to economic activities in Bulgaria. However, this does not restrict the activities of the Bulgarian economic organizations in foreign countries, where the respective foreign legislative or the legislation agreed upon by the Contracting parties applies, including Bulgarian legislation, if it does not conflict with local regulations.

16. The new Bulgarian legislation also regulates some other questions of relevance to industrial co-operation, such as the status of foreign nationals working in Bulgaria, as well as the status of their families; 17/ and in particular the guarantees of the rights and interests of both contracting parties in respect of their home legislation, the freedom to negotiate contracts in their best interests, on the basis of equality and mutual advantage. 18/

17. The new Bulgarian legislation can be considered an original and modern system of legal norms, based on both Bulgarian and foreign usages and experience. This system is intended to eliminate or regulate certain incompatibilities which might arise in long-term relations between partners from countries with different economic and social systems, or to replace certain conventional forms of business transactions unsuited to Bulgaria's economic structure. At the same time, a particularly important feature is that it takes into account the interests of the foreign partner.

18. The specific character of the Bulgarian approach towards international industrial co-operation consists in a number of legal and material advantages of the systems in force in Bulgaria. It gives the foreign partners the following general privileges:

- direct participation and other activities organized under the contractual provisions, regardless of the fact that this co-operation may not take the form of a joint-stock company with property different from the property of the socialist economic organizations;
- formulation of the rights and obligations of the foreign partner regarding the achievement of the agreed targets and results of such co-operation;
- a guaranteed share to the foreign partner in the economic effect achieved, in proportion to his contribution, as stipulated in the contract;

16/ Article 12.1 of the Regulations concerning the State economic organizations (State Gazette No. 98 of 11 December 1970) foresees: "The act for establishment of a State economic organization and its branches determines: the name, the object, the field of activity, the seat, the means available, and the way in which they will be received."

17/ Articles 18-24 of the Law on Foreign Nations, published in the State Gazette No. 93 of 28 February 1972.

18/ Articles 1.2, 2.1, 4.1, 4.3, 5.1 and 5.2 of Decree No. 1196, op. cit.

- the use by foreign partners of the legal facilities envisaged for the planning, financial and other aspects of such activities.

It would be wrong to believe that these regulations govern the activities of Bulgarian economic organizations in Bulgaria alone. The four above-mentioned rules are applicable both in Bulgaria and abroad. They can be found in the legal norms of the commercial law of most countries. Bulgarian legislation thus aims at affirming the principle of equality and mutual advantage between partners. The contracting parties are not obliged to include them in the contracts but they can use them, if this is in their interest and if it is not forbidden by the respective foreign laws. These norms of the Bulgarian legislation go beyond Bulgarian experience proper, and may serve as an example for mutually advantageous co-operation to other countries as well.

19. The Bulgarian planning authorities include in the general plan the activities ensuing from the provisions of co-operation agreements with foreign partners. As already indicated, the competent Bulgarian authorities shall ensure:

- (a) Necessary resources to Bulgarian enterprises under the plan;
- (b) Incorporation of the activities under contract into the general plan, thus creating favourable conditions for the regular supply of raw materials, fuel, energy, spare parts and assemblies, etc. In view of the existing and often very sudden changes in the prices of raw materials and fuel in the world markets, the stable supplies of the Bulgarian economic organizations facilitate production and the prompt fulfilment of their contractual obligations towards their foreign partners;
- (c) Planned availability of manpower. Although in general the country experiences a certain degree of scarcity in manpower, it is able to provide the necessary labour for each branch and line of production, thus guaranteeing normal functioning of the enterprise.
- (d) The planned security of production under contract can be achieved in many instances, even for contracts concluded after the national plan has entered into force. Here, too, a flexible attitude exists, the competent authorities being given by law the right to use marginal reserves that are provided for in every plan. ^{19/} It should be stressed that these reserves can be used by Bulgarian organizations for activities under co-operation contracts in Bulgaria or in other countries.
- (e) The sponsoring of such activities by ministries whose economic organizations have negotiated co-operation agreements. ^{20/} Thus it is their duty to take the necessary economic and organizational measures and facilities and to direct and control the related economic activities so as to create normal conditions for the fulfilment of the contractual obligations of Bulgarian enterprises towards their foreign partners.

^{19/} Article 9.2 of the Regulations, op. cit.

^{20/} Article 10 of the Regulations, op. cit.

20. The purpose of allowing the participation of foreign partners in the activities of a Bulgarian economic organization under the provisions of a co-operation agreement has been generally specified by the respective legislation. 21/ Such participation is directed to:

- raising the productivity of labour of the enterprise where the contractual activities are to take place;
- improving the management of production;
- introducing new technologies;
- organizing an appropriate control over the quality of the goods produced;
- co-operating in the exports of the articles produced.

These requirements determine the economic organizations' investment policies and output programme both in the country and abroad. The competent body checks these requirements when examining proposals for co-operation, whether this co-operation is to take place inside or outside Bulgaria. 22/

21. The conditions for foreign participation in the activities of a Bulgarian economic organization reflecting - in general - the contribution of the foreign partner to the above-mentioned purposes, are also defined with the proviso that the existence of only one such condition is sufficient for the acceptance of the contract. 23/ As practical experience gradually suggests new forms of co-operation, the competent body may also authorize the conclusion of a contract in other cases by virtue of the special provisions in the legislative acts. 24/

22. The contribution of a partner shall be assessed according to the provisions of the actual contract. For instance, a Bulgarian economic organization may seek co-operation with a foreign company in order to cut down expenditures for raw and other materials, fuel or labour, or to improve the quality of production. An indication of the new expenditure norms can prove these intentions. Most often, volume indices are set down in the contract since value indices might become unreliable with price changes.

23. The contracting parties may agree that the positive economic effect achieved in co-operation shall be divided into various proportions, usually reflecting the relative contributions of the partners to the achievement of this effect. A part of this effect might be left at the disposal of the foreign company for a longer or shorter period of time. This form of sharing in the results can be used in activities both in and outside Bulgaria, depending on the agreement between the partners. From the Bulgarian legal point of view, it would be erroneous to identify the economic effect of such co-operation with the profit of a joint-stock company; this may be mentioned explicitly in the co-operation contract.

21/ Article 5.1 of Decree No. 1196, op. cit.

22/ Article 4 of Decree No. 1196, op. cit.

23/ Article 13 of the Regulations, op. cit.

24/ Articles 4 and 5 of Decree No. 1196, op. cit., and 12 and 13 of the Regulations, op. cit.

The Bulgarian practice approaches the foreign partner's share in the results of co-operation as a kind of premium or stimulation for particular efforts made by him so that certain results could be reached under the contract.

24. In the run of the co-operation contract there may be changes in the price of goods and services, producing either additional gains or unforeseen losses. According to the Bulgarian standpoint in these matters, it should be logical for the foreign partner to receive his share of the higher rate of profit resulting from rising prices or from other beneficial factors, even without having made a personal contribution to them, in cases where he has also assumed the obligation to bear the risk of eventual loss. An agreement to this end between the contracting parties should make this possible.

25. After assessing the contribution of the foreign partner to the realization of definite results, the partners should also define the size of the economic effect due to this partner, the conditions in which the economic effect shall be realized, and the payments of their reciprocal obligations effectuated. Payment may be made "totally or in part in goods or services, mutually supplied or in means resulting from the fulfilment of the agreement". 25/

26. The payments of mutual obligations and share in gains accruing to each partner can be effectuated in various ways, illustrated by the following examples:

(a) A domestic or foreign trade organization may be charged by the partners to sell the goods or services and hand over the proceeds of such sales after deducting the marketing expenses and commission;

(b) A partner may have no interest in receiving the products of the joint venture in payments or may need only a small part of them. He may then charge the other partner to act as a commission agent for the sale of the whole production, or the larger part of it, and to remunerate him in some other way. Thus, by using the experience and salesmanship of the other partner, the producer will be able to solve the marketing problem;

(c) Long-term supplies and services at fixed prices are also a way to effectuate payments especially to foreign partners with business and market experience but lacking raw materials, labour, equipment or financial means. In this case, the said partner would have a definite interest in being supplied with high quality and competitive goods, produced by a foreign partner, and could be expected to contribute to this to the best of his abilities. The interest of the producing partner in these cases is mostly linked with the saving of time and money for starting a new production, or developing the yet untapped resources, and increasing the export capacity;

(d) The setting up of joint enterprises outside the territory of Bulgaria allows both parties to sell jointly the goods produced on the world market, regardless of which party organizes the production, and to share the gains;

(e) Other forms could also be applied for distributing the economic effect achieved by one of the partners. One partner, for example, can compensate the other by making certain deliveries in his stead, or by doing some work or

service for a third organization which is not a party to the co-operation contract. In general, the forms for settling mutual obligations may be of great variety, depending on circumstances and conditions agreed upon.

27. The following method for arranging payments between Bulgarian economic organizations and their foreign partners is often used:

- the contracts usually envisage whole or partial crediting against the cost of the equipment supplied, the licence received, documentation, technical assistance, etc.;
- the banks of the contracting parties open accounts that reflect the amount of mutual supplies or services;
- the remainder is settled at the end of a given period of time through additional supplies on the part of the debtor or by payment in cash, or is deferred to the following accounting period.

However, this method may be combined with direct payments in cash of specific transactions such as advance payments, payment of documentation, technical assistance, etc. In other cases the parties agree that payments in goods should begin after the new enterprise has been put into operation. Sometimes, prior to this term, payments take the form of supplies of other goods which the partner might be interested in, etc.

28. There may also be three-cornered or multilateral co-operation agreements. This is frequently the case with general co-operation agreements between large western companies and Bulgarian economic or foreign trade organizations. In such cases the general agreement incorporates a number of production enterprises with different fields of activity. Then each of these specialized production organizations of one of the parties to the general agreement enters into concrete contractual relations with the corresponding specialized production organizations of the other contractual party. Usually the output of one of these specialized organizations is intended to meet the needs of the other organization. In some cases production may not be of interest to the respective foreign partner, and some other enterprise which is not party to the concrete agreement or contract may purchase it. If such an enterprise is incorporated into a Bulgarian association or some western concern, it would not be difficult to make the necessary payments or financial arrangements through the respective Bulgarian or foreign group - parties to the general agreement. Such provisions are common in the general agreements concluded in 1974 and the beginning of 1975 between Bulgarian economic and foreign trade organizations, on the one hand, and large western economic enterprises on the other. Some of these arrangements are already in operation and yield good results. This also applies to activities organized by Bulgarian economic organizations in foreign countries, including developing countries.

29. The possibilities for agreeing upon various forms of payments and profit arrangements as offered by the Bulgarian legislation is designed to avoid hampering the initiatives of Bulgarian and foreign parties who might be interested in expanding industrial co-operation. Being a modern system of legal regulations, the "Bulgarian approach" might be of interest to other countries as well since, without denouncing the conventional forms of international trade, it suggests new possibilities and facilities to interested parties from countries with different social systems. For countries that do not insist on the conventional forms of direct investments, this approach might prove to be a convenient form in carrying

out economic relations with other countries. It might be of particular appeal to firms from both the developing countries and the developed market economy countries because it guarantees equality of interests and flexible forms for achieving material gains in spite of the social differences.

Problems and difficulties in expanding industrial co-operation with other countries

30. Most of the difficulties hampering trade expansion between countries also obstruct the development of international industrial co-operation. These general difficulties can be listed as follows:

- (a) Discriminatory measures in some countries applied in trade with certain countries and certain goods - customs or other administrative restrictions, such as high tariffs and duties, quantitative restrictions on imports, export restrictions, and various special requirements, formalities and instructions with regard to some business transactions;
- (b) Harder export and import financial conditions, required to be fulfilled by certain countries such as, requirements for payment terms, etc.;
- (c) Frequent changes in the prices of some manufactured goods or raw materials hindering the smooth running of long-term arrangements between partners and the planning of certain productions and activities.

31. There are also specific obstacles and difficulties hampering the development of international industrial co-operation:

- (a) In some cases the partners underestimate the important role that international industrial co-operation can play in the development of international trade, in solving problems to which a solution cannot be found through conventional forms of trade.
- (b) Some difficulties result from different concepts, in different countries or in different business circles only, as to the essence and the objectives of industrial co-operation with other countries. In Bulgaria these objectives are formulated in a normative way.
- (c) In almost all countries outside the CMEA there exist no legislative arrangements for international industrial co-operation; no favourable prerequisites are created in an administrative way with a view to expanding that sort of activity.
- (d) In a number of countries and in some business circles, there exist psychological barriers, fear of competition if technologies and technical assistance were offered, etc. In negotiations with partners from countries with different social systems this leads to requests for unjustified requirements and guarantees.

(e) The lack of information is one of the most serious problems. In a number of foreign countries the economic possibilities and interests of other countries, and those of Bulgaria in particular, remain unknown. 26/ One way to remedy this is offered by the bureaux for representation and commercial brokerage in Bulgaria. These are specialized foreign trade enterprises that represent independent juridical persons, the object of their activity being commercial brokerage and other similar forms of representation in international trade. 27/ The fundamental normatively formulated working principle of the bureaux for representation and commercial brokerage is that they should not undertake representation of competitive firms. More than 600 big foreign firms are represented in Bulgaria by the bureaux in question. A number of projects for industrial co-operation were put forth and carried out with the active participation of these bureaux. The firms from the developing countries utilize this facility in very rare cases, while actually it is these very firms that need intermediary units in order to establish the first contacts or to intensify their transactions with Bulgaria.

(f) Technical differences between the standards of different countries and different methods of preparing documentation, proposals and offers also create difficulties for industrial co-operation projects. The specialized international organizations, should, therefore, accelerate their efforts to overcome this obstacle.

(g) In some cases the joint commissions established under intergovernmental agreements for economic, industrial and technical co-operation could be made more effective by involving representatives of business circles, banks and other organizations that are directly interested in industrial co-operation.

(h) Small and medium-sized foreign enterprises cannot participate actively in international industrial co-operation. Establishment of contacts, building up of a system for gathering information, working out of proposals and offers, require considerable sums of money, especially when it comes to larger projects. Smaller firms are not in a position to bear such expenses, and forms of co-ordination and unification of their efforts should be found, in order to make them equal competitors to the big concerns and firms. Socialist and other countries are interested in establishing co-operation with such small and average firms that have technical experience and rights on some original and effective production methods.

(i) Most of the firms from the developing countries are not well-known in Bulgaria. These difficulties could be overcome through a more active and concrete work of the joint commissions under the agreements for economic co-operation, a better use of possibilities offered to these firms represented in Bulgaria, and an accelerated exchange of information in both directions.

26/ Bulgaria issues regular publications of development plans for different economic branches and comprehensive reports on the implementation of these plans.

27/ The bureaux for representation and commercial agencies were established under Decree No. 289 of the Council of Ministers of 3 July 1970, published in the State Gazette, No. 54 of 10 July 1970. Thirteen such bureaux exist in Bulgaria.

(j) Restrictions of the right to export and market goods that are the object of the contract, are an important obstacle to industrial co-operation. Some foreign firms, for example, do not agree that the socialist partner should be free to export the jointly produced goods to other socialist countries. This is contrary to the principle of specialization which is widely accepted between CMEA member States, offering more possibilities for applying the most modern and highly effective technologies and equipment to the maximum effect. Furthermore the geographic proximity, the excellent trade and other relations of Bulgarian economic organizations, for example with big countries in the Near and Middle East and in Africa, are thus forgone by foreign partners.

(k) The international organizations have, as yet, been insufficiently effective in eliminating obstacles to or promoting favourable conditions for the further expansion of international economic relations.

Co-operation with other socialist and developed market economy countries as a factor for promoting industrial co-operation with the developing countries

32. Bulgaria develops very active trade with the socialist countries. For 15 years, the volume of trade with the other socialist countries has increased more than four times, which is to a large extent due to integration, and to the constantly expanding co-operation with the socialist countries. A large number of the Bulgarian producers and enterprises are engaged in long-term industrial co-operation contracts with enterprises of the other socialist countries. In implementation of the Comprehensive Programme for the further Promotion and Improvement of Socialist Economic Integration among the CMEA member States, and the agreement for industrial co-operation, Bulgaria supplies other socialist countries with industrial works, complete technological lines of machines and equipment, installations, technical assistance, etc. In co-operation with the socialist countries a number of large-scale industrial projects have been built in Bulgaria, the production of which is meant for local needs and for the other socialist countries, as well as for export to non-socialist countries.

33. At the same time Bulgaria and the other socialist countries seek to strengthen and expand mutually advantageous co-operation with the rest of the world. About 100 long-term agreements for industrial co-operation have been concluded between Bulgarian economic enterprises and organizations and firms from countries outside CMEA, of which about 35 per cent pertain to machine-building and metallurgy, 30 per cent to electronics and electrical engineering, 15 per cent to the chemical, petrochemical and pharmaceutical industries, followed by light and food industries, agriculture, tourism, construction, etc.

34. About 30 per cent of the contracts for industrial co-operation are general agreements, establishing the basic principles of co-operation. In these general agreements the subject of co-operation is defined. It may also be that sometimes they contain the programme with concrete items, terms for studying and working out of contracts, general payment and price terms, status of specialists, general regulations for technical assistance, manner of settling contentions, term of co-operation. Because of the complex nature of these general agreements a joint committee is usually established with co-ordinating purpose. Such general agreements have been signed with some of the biggest western concerns as General Electric, ITT, Montedison, Siemens, Brown Boveri, Daimler-Benz, AEG, Hochst, ENI, Lurgi, FMC, Volvo, Creusot Loire, Schweppes, etc. Contracts for specific productions are concluded under the general agreements.

35. The co-operation with the economic organizations of the other socialist countries and a large number of enterprises and firms of developed market economy countries offers favourable possibilities for promoting co-operation with the developing countries.

(a) In the CMEA Comprehensive Programme for socialist economic integration special measures are stipulated for expanding industrial co-operation with the developing countries with a view to supporting their efforts to develop their national economy and to have more active and fair participation in the international division of labour;

(b) The agreements on economic, industrial, scientific and technical co-operation between Bulgaria and a large number of developing countries allow for productions introduced with the assistance of some developed market economy countries to serve as a basis for co-operation with the developing countries, too;

(c) The industrial co-operation with the socialist countries and with the developed market economy countries can also ensure the marketing of certain goods or raw materials in socialist countries as well as in developing countries;

(d) The geographic proximity and good communications between Bulgaria and a large number of the developing countries in Asia and Africa favour the advantageous marketing of some goods, produced as a result of co-operation agreements;

(e) The technologies and the documentation received under the contracts can be offered, if agreed upon with the other contracting party, to the developing countries on favourable, mutually advantageous conditions.

As the industrial co-operation of Bulgaria with the other socialist countries and the developed market economy countries develops, more favourable conditions will be created for the promotion of the industrial co-operation of Bulgaria and the developing countries. Bulgaria has a great variety of resources but very few of them are rich enough to support large-scale industries based on the latest scientific and technical achievements. Therefore for these industries Bulgaria could seek a constant supply of raw materials, semi-manufactured goods, materials, etc. from the developing countries under co-operation agreements.

Experience and prospects for development of industrial co-operation between Bulgaria and the developing countries

36. For the time being, international industrial co-operation with the developing countries is comparatively limited, being a new form of international relations with these countries. Together with the already mentioned obstacles and difficulties that hamper the development of industrial co-operation, the still modest share of these countries in the foreign trade of Bulgaria should also be mentioned, in spite of the fact that the volume of trade is rapidly growing in absolute terms. Industrial co-operation with these countries is based on principles of equality in rights and mutual benefit, and is of a long-term character. It contains in the majority of cases some specific elements like the technical assistance rendered by Bulgarian specialists, the training of local specialists, which are very relevant to the developing countries, bearing in mind their acute needs in qualified specialists. In each one of countries like the Libyan Arab Republic, Algeria and some others, at present some 700 to 800 Bulgarian specialists are active. Another characteristic feature is that at present co-operation tends to be concentrated in the fields of construction and agriculture in the developing countries.

37. The bilateral intergovernmental agreements signed between Bulgaria and the developing countries comprise a considerable number of economic activities and forms of co-operation including:

- joint construction or supply of industrial works, joint ventures included;
- rendering technical assistance in a number of economic branches, such as agriculture, mining, transport and communications, heavy and light processing industries, public health, culture, art, sports, etc.;
- survey of natural resources, working out of projects for construction and exploitation of enterprises;
- training of specialists in Bulgaria and abroad in the field of economy and production.

38. A review of actual examples of industrial co-operation between Bulgarian economic organizations and organizations and firms of developing countries illustrates the tendencies and prospects for the further development in this field.

(a) The Bulgarian-Indian Joint Venture "Curvel" was established for organizing the production and marketing of gamma-globulin and albumen in 1967, in New Delhi. The blue-prints for construction and technology were designed in Bulgaria. Some of the equipment was also Bulgarian, some was supplied by western, mostly French, firms. Highly qualified Bulgarian specialists care for the application of industrial technology and train a number of local specialists. Production satisfies to a large extent the needs of the two countries and provides resources for export, too.

(b) The Bulgarian-Nigerian Joint Venture "Globe Fish Industry" was founded in 1967, in Lagos, with a 43 per cent Bulgarian participation. Its activity consists in fishing (with Bulgarian trawlers) and marketing the catch in Nigeria. In several years the company succeeded in building up a wide marketing network, the quantities of fish constantly increasing. At present "Globe Fish Industry" satisfies a great part of the demand on the Nigerian market.

(c) Also in 1967, the "Vinyl Coting" joint stock company was established in Singapore, with the participation of Bulgarian, British and local firms, for the production and marketing of artificial leather.

(d) In the period between 1965 and 1968, joint companies were founded in Lebanon, Kuwait, Sudan, the Libyan Arab Republic, Algeria and Morocco, whose purpose was farming, assembly and sale of Bulgarian machines, construction, trade, marketing of Bulgarian machines, construction, banking and insurance and other economic activities. Gradually, Bulgarian participation with capital in some of these companies was transferred to local organizations and firms, but it is still present in most of the companies.

(e) In some African countries enterprises were established during the past years for agricultural products, fishing and fish processing, producing tropical wood, etc. Bulgarian participation in these joint ventures was gradually transferred to the local partners and the payment for this participation was divided into long-term instalments.

(f) Bulgarian economic organizations have built a large number of projects in many countries: in Tunisia - phosphate mines, mines for non-ferrous metals, ore-dressing plants, water improvement installations; research in the field of construction; in Algeria - a textile plant and tanning factory; in Egypt - a ferrocilin plant; in Syria - a tobacco factory; in Iraq - canning factories; in India - 14 complete projects - canning factories, a sulphuric acid plant, a gamma-globulin factory, a food plant, and ore-dressing plants. In Tunisia, Bulgarian architects and constructors built an Olympic sports complex. Our architects have also participated in the urbanization of towns in the Lebanon, Afghanistan, Ethiopia, Tunisia, Ghana and other countries. Thus, in Syria were built a silo, port installations, airports, a water-power system, a dam, and an irrigation system; in Iraq - highways, an airport, a sewerage system (in Baghdad), etc.; in the Libyan Arab Republic - urbanization work, sports grounds, health facilities, a water-supply system, an airport, etc.; in Nigeria (Lagos) - a National Theatre.

39. Interesting possibilities exist for the development of trilateral co-operation among Bulgarian economic organizations and firms and enterprises from the developing and the developed market economy countries. Bulgaria has accumulated considerable experience in supplying, as a general contractor, industrial works to a number of countries, such as Algeria, Cuba, Egypt, Hungary, India, Iraq, Lebanon, the Libyan Arab Republic, Mongolia, Poland, People's Democratic Republic of Korea, Syria, the USSR, countries in Latin America, etc. Firms of developed market economy countries participate as subcontractors. In that way was organized the construction of industrial works or the export of complete production lines for pectin and fruit juice; milk, textile and leather enterprises, plants for tobacco processing, chemical plants, plants for calcium carbide and ferrous alloys; brick and tin factories and other enterprises of the food and refrigeration industry; greenhouses, plants for prefabricated production, etc.. On the other hand, together with western firms, Bulgarian enterprises participate as subcontractors in the construction of chemical and petrochemical industrial works, and in the survey, design and construction in the mining industries. Such is the case, for example, of the construction of a large refinery in the Libyan Arab Republic, jointly with an Italian company with which more co-operation is being envisaged for the future. Many other forms can also be mentioned, such as joint participation in auctions, participation in the construction of industrial works through joint ventures, in the assembly work in engineering, or marketing only. It happens sometimes that developing countries, rich in resources, might require the construction of large industrial works that surpass the capacity of a given enterprise of a socialist or developed market economy country. These cases favour multilateral co-operation, which frequently involves bank and credit institutes of the socialist and western countries.

40. The real possibilities for the development of the industrial co-operation of Bulgaria with the developing countries, are not fully used yet for a number of reasons:

- (a) a number of western countries have wide and traditional economic relations with the developing countries.
- (b) the opportunities offered by Bulgaria are still not well known to the business circles abroad.
- (c) the economic and trade policy of some countries does not contribute to promoting economic co-operation policies based on full equality of the contracting parties, with no discrimination whatsoever, and on the respect for the mutual and specific interests of partners and faithful implementation of the contract commitments as to the quality of equipment, technologies, etc.

Prospects for industrial co-operation

41. The Bulgarian economic organizations are interested in further co-operation with the developing countries. In the years to come major problems of world economic development will have to be solved with the direct and active participation of the developing countries.

42. Following this general approach the Bulgarian economic organizations show interest in independent or joint participation with foreign firms and enterprises in the construction, equipment and also in the joint exploitation of the projects in the developing countries concerned with:

- power plants and electrical equipment, installations, stations, etc.;
- dam lakes, reservoirs, hydrotechnical equipment, irrigation and drainage systems, water supply and sewerage, purification of water, soil and air;
- silos, processing factories of the light and food industries;
- industrial construction in the field of petroleum processing, chemistry, pharmacy, textile industry, metallurgy, etc.;
- geological, surveying and drilling; design, construction and putting into operation of ore-dressing plants and factories;
- construction of towns and villages, residential areas, education establishments, industrial buildings and installations, health and tourist establishments, sports facilities, stadia, exhibition halls, reservoirs, highways, railways, airfields, storage sheds, warehouse services, gasoline stations, etc..

43. From the Bulgarian side, the prospects for developing industrial co-operation with countries outside the CMEA area in each industrial branch are determined by the general tendencies and objectives set out in the plans of the economic organizations for development by branches (see annex II). As can be seen the developing countries can very well contribute to achieving the objectives intended to be attained through industrial co-operation. In fact negotiations are already under way, and projects are being considered, concerning the organizing, with several developing countries, particularly in the Near and Middle East, the production of industrial goods pertaining to the motor, chemical, textile and other industries.

44. In a general way it can be assumed that future industrial co-operation between countries with different social systems will continue to develop in much the same manner as trade will develop. However it should be kept in mind that currency devaluation and revaluation, inflation, insecurity of payment arrangements with developed market economy countries and the instability of prices might adversely influence, to a larger or smaller degree, the prospects for industrial co-operation between Bulgarian enterprises and foreign firms.

45. As to developing countries, further possibilities for industrial co-operation will most likely be founded on the most favourable and mutually advantageous utilization of Bulgarian experience in particular economic branches and more specifically in agriculture, mining and exploitation of resources, in construction, and in some sectors of the processing industry, as mentioned above. Co-operation in the field of technical assistance, training of specialists, working out and running of projects, as well as still more active co-operation in international trade, will continue in the future.

46. Industrial co-operation should be stimulated through measures undertaken by the governments of the interested countries, aimed at the creation of more favourable conditions. The measures and recommendations of the United Nations family of organizations will have even greater importance for facilitating transactions within the framework of industrial co-operation between countries with different social systems. Owing to the dynamic nature of economic and technical relations between enterprises of these countries it is hard to foresee the final and general forms of co-operation. The fact that the juridical form has to be agreed upon in each particular case protects the interests of the partners, provided that it does not contradict national regulations. In this respect the new Bulgarian legislation represents a dynamic element in international industrial co-operation by offering the partners a great variety of initiatives.

Conclusion

47. A growing number of States and governments are becoming convinced that co-operation based on equity and goodwill, and consideration for the partner's interests, can create conditions for the maximum co-ordination and utilization of resources. Present-day political and economic relations between States, and in particular the favourable climate created in connexion with the Conference on Security and Co-operation in Europe, will bring about new opportunities for development of this contemporary form of international economic relations.

48. Within a short period of time, Bulgaria has recorded considerable success in the reconstruction and perfection of its society and national economy, in accordance with long-term development programmes and programmes aimed at raising the people's living standards. These achievements have made the country an equal and desired partner in international economic co-operation. Bulgaria's experience in international industrial co-operation with foreign countries, including those with different economic and social systems, could afford a good basis for further application and expansion of these forms of co-operation in its international economic relations. At the same time, this experience could become an example for other countries which consider that it could be adapted to their purposes and interests in the process of international industrial co-operation in accelerating economic development.

Annex I

DECREE NO. 1196

The State Council of the People's Republic of Bulgaria, in accordance with Article 94, Item 2, Paragraph 2 of the Constitution of the People's Republic of Bulgaria, issues the following

DECREE NO. 1196

of the State Council of the People's Republic of Bulgaria on economic, industrial and technological co-operation with foreign juridical and physical persons.

Art.1 (1) The development of economic, industrial and technical co-operation between Bulgarian economic organizations and foreign juridical and physical persons is encouraged in the People's Republic of Bulgaria.

(2) Co-operation is realized by creating favourable planning, financial, credit, customs and other prerequisites and conditions for this activity and by guaranteeing the fulfilment of contractual obligations, assumed by a Bulgarian economic organization and approved by the Bulgarian side in accordance with existing legislation.

Art.2 (1) The economic, industrial and technological co-operation, subject to this Decree, is carried out on the basis of agreements between Bulgarian economic organizations and foreign juridical and physical persons for lasting joint activity, to the mutual advantage and interest in the final results of this co-operation. Payments between the parties are made totally or in part in goods or services mutually supplied or in means resulting from the fulfilment of the agreement.

(2) Activities under the agreement may be carried out in the People's Republic of Bulgaria and in other countries as well.

Art.3. Co-operation agreements are concluded for the purpose of developing new, and modernizing existing, production capacities, introducing new products by applying the most perfect technologies and the latest scientific and technological achievements, improving the effectiveness and organization of production, raising labour productivity and the quality of production, meeting more fully the needs of the country, expanding its export potential and making rational use of the country's material and labour resources, in accordance with the agreement.

Art.4 (1) Co-operation agreements are concluded, on the Bulgarian side, by a State economic organization or by the respective foreign trade enterprise, after authorization from the competent authorities.

(2) When the activity under the agreement takes place in the People's Republic of Bulgaria, it is subject to Bulgarian legislation. When it takes place abroad, it is subject to the legislation as determined by the agreement.

(3) Differences between the parties are examined by the body determined under the agreement.

Art.5 (1) The agreement may provide for the participation of a foreign juridical or physical person in undertakings of Bulgarian economic organizations aimed at raising labour productivity, introducing new technologies and productions and checking the quality of products, as well as selling products on the world market.

(2) In the cases of the preceding paragraph, the foreign juridical or physical persons may obtain part of the realized profit in accordance with their concrete contribution, and under the conditions specified by the Regulations governing the application of this Decree.

Art.6. The Council of Ministers shall issue regulations on the application of this Decree.

The Prime Minister is entrusted with the application of this Decree.

Issued at Sofia on 12 June 1974 and bearing the State Seal.

President of the State Council of the People's Republic of Bulgaria:
(signed) T. Zhivkov

Secretary of the State Council of the People's Republic of Bulgaria:
(signed) M. Minchev

Annex II

Prospects for industrial co-operation, by branches

The general guidelines for the further development of industrial co-operation with foreign firms, as well as some of the qualitative objectives to be achieved thereby, are being elaborated in Bulgaria mostly through plans for individual industrial branches:

(a) Further industrial co-operation with firms and organizations of foreign countries should allow for the achievement of the following objectives in machine building and metallurgy:

- improvement of conventional metal-cutting machines; increase in the volume and types of aggregate and specialized machines and automatic lines; increase in the range and the volume of production of the basic metal-cutting machines with programme control and of automatic technological lines;
- building up mechanical handling equipment or machines for processing loads in pallets and packages; development of the production of machines for warehouses, machines for processing containers, universal machines, etc.;
- building up new agricultural machines and machines for the food industry, such as complete lines for automated cultivation, harvesting and processing of production on the basis of most up-to-date technologies, the applied labour reduced to a minimum;

(b) In the field of electronics and electrical engineering industrial co-operation should favour:

- further introduction of integral circuits in the production of computers;
- production and development of means and devices for automation of the production processes in electronics and electrical engineering;
- development of industrial electrical engineering;
- production of large-capacity equipment for satisfying the needs of processing energy sources;
- further development of the production of radioelectronic and electronic articles as well as electric appliances for everyday use;

(c) Industrial co-operation with other countries in chemical industry should be closely related to:

- expansion of the oil-processing and petrochemical industry with a view to creating a solid basis for energetics and for the production of basic petrochemical products like polymers, plastics, chemical fibres, synthetic rubber, resins, gums, etc.;
- production of synthetic chemical products for the light, chemical and pharmaceutical industries;
- expansion of the cellulose and paper industry;

- increasing the production of mineral fertilizers and pest control chemical products;

(d) In the field of light industry co-operation should be used to:

- ensure volume and variety of goods that would satisfy the rational norms of supply of certain goods and articles;
- introduce highly productive aggregates in the existing and the new enterprises including the latest achievements of technological progress; improve the technological processes, the organization and management of production for raising the general effectiveness of this branch;
- favour the most rational use of raw materials by introducing the production of lighter articles without impairment of quality;

(e) In the field of agriculture industrial co-operation is to be co-ordinated on the following lines:

- setting agriculture on an industrial basis;
- establishment of optimal size and technical structure of units with a view to the most thorough application of the achievements of the scientific and technical revolution in agricultural production;
- introducing new methods for increasing production volume, improving its quality, raising labour productivity and diversifying final agricultural products;

(f) In the field of construction, transport and tourism, new possibilities for industrial co-operation are emerging both in the country and abroad:

- in the introduction of new methods and materials on the basis of the latest scientific and technical achievements with a view to reducing the labour applied in certain productions in view of intensifying and shortening the terms in construction and increasing its effectiveness; further expansion of construction work abroad in co-operation with local firms and enterprises, in view to provide constant supply of articles in demand;
- in the modernization of the road network and communication services, development of road, railway and water transport for making best use of the favourable geographic situation of the country with a view to developing economic relations with other countries;
- in further development of international tourism, creating additional facilities for use all the year round, and expansion of medical tourism.